



Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Financial Statements
Three and Six Months Ended 30 June 2018 and 2017

(Presented in U.S. Dollars)

22 August 2018

To the shareholders of Falcon Oil & Gas Ltd.

Notice of No Auditor Review

The accompanying unaudited interim condensed consolidated financial statements as at and for the three and six months ended 30 June 2018 and 2017, have been prepared by the management of the Company and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements.

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017

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Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)

	Notes	Three months ended 30 June 2018 \$'000	Three months ended 30 June 2017 \$'000	Six months ended 30 June 2018 \$'000	Six months ended 30 June 2017 \$'000
Revenue					
Oil and natural gas revenue	3	2	2	3	5
		2	2	3	5
Expenses					
Exploration and evaluation expenses		(38)	(58)	(79)	(125)
Production and operating expenses		(5)	(3)	(9)	(6)
Depreciation	7	(1)	(1)	(1)	(2)
General and administrative expenses		(497)	(484)	(1,001)	(961)
Share based compensation	10	(22)	(130)	(81)	(413)
Foreign exchange (loss) / gain		(134)	142	(72)	146
		(697)	(534)	(1,243)	(1,361)
Results from operating activities		(695)	(532)	(1,240)	(1,356)
Fair value gain / (loss) – outstanding warrant	13	283	266	227	(1,854)
Finance income	4	25	48	31	85
Finance expense	4	(107)	(48)	(167)	(96)
Net finance expense		(82)	-	(136)	(11)
Loss and comprehensive loss for the period		(494)	(266)	(1,149)	(3,221)
Loss and comprehensive loss attributable to:					
Equity holders of the company		(494)	(266)	(1,148)	(3,220)
Non-controlling interests		-	-	(1)	(1)
Loss and comprehensive loss for the period		(494)	(266)	(1,149)	(3,221)
Loss per share attributable to equity holders of the company:					
Basic and diluted	5	(0.001 cent)	(0.000 cent)	(0.001 cent)	(0.003 cent)

The notes are an integral part of these interim condensed consolidated financial statements.

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Financial Position
(Unaudited)

		At 30 June 2018 \$'000	At 31 December 2017 \$'000
	Notes		
Assets			
Non-current assets			
Exploration and evaluation assets	6	39,656	39,630
Property, plant and equipment	7	2	3
Trade and other receivables		22	33
Restricted cash	8	2,330	2,412
		42,010	42,078
Current assets			
Cash and cash on deposit	9	7,722	8,995
Trade and other receivables		206	186
		7,928	9,181
Total assets		49,938	51,259
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		383,627	383,570
Contributed surplus		45,018	44,937
Retained deficit		(391,371)	(390,223)
		37,274	38,284
Non-controlling interests		700	701
Total equity		37,974	38,985
Liabilities			
Non-current liabilities			
Decommissioning provision	14	9,995	9,886
		9,995	9,886
Current liabilities			
Accounts payable and accrued expenses	15	633	825
Derivative financial liabilities	13	1,336	1,563
		1,969	2,388
Total liabilities		11,964	12,274
Total equity and liabilities		49,938	51,259

The notes are an integral part of these interim condensed consolidated financial statements.

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Changes in Equity
(Unaudited)

	Notes	Share capital \$'000	Contributed surplus \$'000	Retained deficit \$'000	Equity interests of the parent \$'000	Non-Controlling interests ("NCI") \$'000	Total equity \$'000
At 1 January 2017		382,853	44,251	(386,229)	40,875	703	41,578
Share based compensation	10	-	413	-	413	-	413
Loss and total comprehensive loss for the period		-	-	(3,220)	(3,220)	(1)	(3,221)
Options Exercised		539	-	-	539	-	539
At 30 June 2017		383,392	44,664	389,449	38,607	702	39,309
At 1 January 2018		383,570	44,937	(390,223)	38,284	701	38,985
Share based compensation	10	-	81	-	81	-	81
Loss and total comprehensive loss for the period		-	-	(1,148)	(1,148)	(1)	(1,149)
Options Exercised		57	-	-	57	-	57
At 30 June 2018		383,627	45,018	(391,371)	37,274	700	37,974

The notes are an integral part of these interim condensed consolidated financial statements.

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited)

		Six months ended 30 June	
	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Net loss for the period		(1,149)	(3,221)
Adjustments for:			
Share based compensation	10	81	413
Depreciation	7	1	2
Fair value (gain) / loss - outstanding warrant	13	(227)	1,854
Net finance expense	4	136	11
Effect of exchange rates on operating activities		73	(149)
Change in non-cash working capital:			
Trade and other receivables		(9)	(60)
Accounts payable and accrued expenses		(196)	83
Net cash used in operating activities		(1,290)	(1,067)
Cash flows from investing activities			
Decrease / (increase) in cash deposits – other receivables		3,528	(3,007)
Interest Received		31	45
Exploration and evaluation assets		(26)	(12)
Net cash generated from / (used in) investing activities		3,533	(2,974)
Cash flows from financing activities			
Proceeds from the exercise of share options		57	539
Net cash generated from financing activities		57	539
Change in cash and cash equivalents		2,300	(3,502)
Effect of exchange rates on cash & cash equivalents		(45)	43
Cash and cash equivalents at beginning of period		2,967	5,857
Cash and cash equivalents at end of period	9	5,222	2,398

The notes are an integral part of these interim condensed consolidated financial statements.

Falcon Oil & Gas Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the Three and Six Months Ended 30 June 2018 and 2017

1. General Information

Falcon Oil & Gas Ltd. (“**Falcon**”) is an oil and gas company engaged in the acquisition, exploration and development of unconventional oil and gas assets. Falcon’s interests are located in Australia, Hungary, South Africa and Canada.

Falcon is incorporated in British Columbia, Canada and headquartered in Dublin, Ireland with a technical team based in Budapest, Hungary. Falcon’s common shares are traded on Toronto’s TSX Venture Exchange (“**TSX-V**”) (symbol: FO.V); AIM, a market operated by the London Stock Exchange (symbol: FOG) and ESM, a market regulated by the Irish Stock Exchange (symbol: FAC).

The information provided herein in respect of Falcon includes information in respect of its wholly-owned subsidiaries: Mako Energy Corporation, a Delaware company (“**Mako**”); TXM Oil and Gas Exploration Kft., a Hungarian limited liability company (“**TXM**”); Falcon Oil & Gas Ireland Ltd., an Irish limited liability company (“**Falcon Ireland**”); Falcon Oil & Gas Holdings Ireland Ltd., an Irish limited liability company (“**Falcon Holdings Ireland**”); Falcon Oil & Gas USA Inc., a Colorado company (“**Falcon USA**”); Falcon Exploration and Production South Africa (Pty) Ltd., a South African limited liability company (“**Falcon South Africa**”) and its 98.1% majority owned subsidiary, Falcon Oil & Gas Australia Limited, an Australian limited liability company (“**Falcon Australia**”) (collectively, the “**Company**” or the “**Group**”).

2. Accounting policies

Basis of preparation and going concern

These Interim Condensed Consolidated Financial Statements (“**Interim Statements**”) of the Group have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and, except as described below, on the basis of the same accounting principles as, and should be read in conjunction with, the Consolidated Financial Statements for the year ended 31 December 2017 (pages 9 to 14) as filed on the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at www.sedar.com.

There are no amended accounting standards or new accounting standards that have any significant impact on these interim financial statements applicable as at 1 January 2018.

The Interim Statements are presented in United States dollars (“\$”). All amounts, except as otherwise indicated, are presented in thousands of dollars. Where referenced in the Interim Statements “**CDN\$**” represents Canadian Dollars, “**£**” represents British Pounds Sterling, “**HUF**” represents Hungarian Forints, and “**A\$**” represents Australian Dollars.

The Group’s Interim Statements have been prepared on a going concern basis which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future.

3. Segment information

Based on internal reporting information, it was determined that there is one reportable segment. All of the Group’s operations are in the petroleum and natural gas industry with its principal business activity being in the acquisition, exploration and development of petroleum and natural gas properties. The Group has producing petroleum and natural gas properties located in Canada and considers the results from its operations to relate to the petroleum and natural gas properties. The Group has unproven petroleum and natural gas interests in Australia, South Africa and Hungary.

The key performance measures reviewed for the segment which management believes are the most relevant information when evaluating the results of the Group are:

- the progress and extent to which farm-out agreements have been executed over the Group’s acreage; and
- cash flow, capital expenditure and operating expenses.

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017****3. Segment information (continued)**

An analysis of the geographic areas is as follows:

	Australia \$'000	South Africa \$'000	Hungary \$'000	Other \$'000	Total \$'000
Six months ended 30 June 2018					
Revenue	-	-	-	3	3
Net loss ⁽ⁱ⁾	(228)	(181)	(513)	(226)	(1,148)
At 30 June 2018					
Capital assets ⁽ⁱⁱ⁾	39,656	-	-	2	39,658

	Australia \$'000	South Africa \$'000	Hungary \$'000	Other \$'000	Total \$'000
Six months ended 30 June 2017					
Revenue	-	-	-	5	5
Net loss ⁽ⁱ⁾	(133)	(106)	(156)	(2,825)	(3,220)
At 30 June 2017					
Capital assets ⁽ⁱⁱ⁾	39,630	-	-	5	39,635

(i) Net loss attributable to equity holders of the company.

(ii) Capital assets consist of exploration & evaluation assets and property, plant and equipment.

4. Finance income and expense

		Three months ended 30 June		Six months ended 30 June	
	Notes	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Finance income					
Interest income on bank deposits		25	11	31	45
Net foreign exchange gain		-	37	-	40
		25	48	31	85
Finance expense					
Accretion of decommissioning provisions	14	(55)	(48)	(110)	(96)
Net foreign exchange loss		(52)	-	(57)	-
		(107)	(48)	(167)	(96)
Net finance expense		(82)	-	(136)	(11)

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017****5. Net loss per share**

Basic and diluted loss per share is calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Loss attributable to equity holders of the company	(494)	(266)	(1,148)	(3,220)
Weighted average number of common shares in issue - (thousands)	930,704	928,538	930,704	928,538
Loss / diluted loss per share	(0.001 cent)	(0.000 cent)	(0.001 cent)	(0.003 cent)

6. Exploration and Evaluation ("E&E") assets

	Australia	Total
	\$'000	\$'000
At 1 January 2018	39,630	39,630
Addition	26	26
At 30 June 2018	39,656	39,656
	Australia	Total
	\$'000	\$'000
At 1 January 2017	39,619	39,619
Additions	12	12
At 31 December 2017	39,630	39,630

E&E assets consist of the Group's exploration projects which are pending the determination of proven or probable reserves.

For detailed discussion on the exploration and evaluation assets, please refer to the Management's Discussion & Analysis document for the three and six months ended 30 June 2018 on pages 6-13.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017

7. Property, plant and equipment

	Canadian natural gas interests \$'000	Pipeline and facilities \$'000	Furniture and equipment \$'000	Total \$'000
Cost:				
At 1 January 2018	466	4,108	46	4,620
At 30 June 2018	466	4,108	46	4,620
Depreciation:				
At 1 January 2018	(466)	(4,108)	(43)	(4,617)
Depreciation	-	-	(1)	(1)
At 30 June 2018	(466)	(4,108)	(44)	(4,618)
Net book value:				
At 30 June 2018	-	-	2	2

	Canadian natural gas interests \$'000	Pipeline and facilities \$'000	Furniture and equipment \$'000	Total \$'000
Cost:				
At 1 January 2017	466	4,108	46	4,620
At 31 December 2017	466	4,108	46	4,620
Depreciation:				
At 1 January 2016	(466)	(4,108)	(39)	(4,613)
Depreciation	-	-	(4)	(4)
At 31 December 2017	(466)	(4,108)	(43)	(4,617)
Net book value:				
At 31 December 2017	-	-	3	3

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Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017****8. Restricted cash**

Restricted cash includes cash held by financial institutions as collateral for ongoing Group operations. In January 2015, the Group placed \$2 million on deposit for the benefit of the Hungarian mining authority as a security deposit with regards the Group's decommissioning obligations.

	30 June 2018 \$'000	31 December 2017 \$'000
Restricted cash	2,330	2,412
	2,330	2,412

9. Cash and cash on deposit

Cash and cash equivalents includes cash on hand, deposits held on call with banks, other short term highly liquid investments with initial maturities of three months or less at inception and bank overdrafts where a legal right of offset exists. Cash on deposit represents cash on deposit with a maturity in excess of three months.

	30 June 2018 \$'000	31 December 2017 \$'000
Cash and cash equivalents	5,222	2,967
Cash on deposit	2,500	6,028
	7,722	8,995

10. Share based compensation

The Group, in accordance with the policies of the TSX-V, may grant options to directors, officers, employees and consultants, to acquire up to 10% of the Group's issued and outstanding common stock. The exercise price of each option is based on the market price of the Group's stock at the date of grant, which may be discounted in accordance with TSX-V policies. The exercise price of all options granted to date has been based on the market price of the Group's stock at the date of grant, and no options have been granted at a discount to the market price. The options can be granted for a maximum term of five years. The Group records compensation expense over the vesting period based on the fair value at the grant date of the options granted. These amounts are recorded as contributed surplus.

Any consideration paid on the exercise of these options together with the related contributed surplus associated with the exercised options is recorded as share capital. The Group incurred a share based expense of \$81,000 during the period ended 30 June 2018 (2017: \$0.4 million).

Six million options were granted in the period to 30 June 2017 at an average exercise price of CDN\$0.20. Two million options vested immediately with an additional one third vesting on each subsequent anniversary until the options are fully vested on 22 February 2019.

38.7 million options were granted in the period to 31 March 2016 at an average exercise price of CDN\$0.11. One third of the options vested immediately with an additional one third vesting on each subsequent anniversary until the options fully vested on 14 January 2018.

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017****10. Share based compensation (continued)**

A summary of the Group's stock option plan as of 30 June 2018 and 31 December 2017 and changes during the periods then ended, is presented below:

	Six months ended 30 June 2018		Year ended 31 December 2017	
	Number of options	Weighted average exercise price CDN\$	Number of options	Weighted average exercise price CDN\$
Outstanding as at beginning of period	42,233,334	0.12	45,100,000	0.12
Exercised	(300,000)	0.24	-	-
Granted	-	-	6,000,000	0.20
Expired	(300,000)	0.24	(8,866,666)	0.11
Outstanding as at end of period	41,633,334	0.13	42,233,334	0.13
Exercisable as at end of period	39,633,334	0.13	27,233,334	0.13

The exercise prices of the outstanding options are as follows:

Date of grant	Options	Exercise price CDN\$	Date of Expiry	Weighted average contractual life remaining (years)
30 April 2013	1,300,000	0.24	29 April 2018	-
26 January 2015	5,000,000	0.15	25 January 2020	1.57
15 January 2016	29,333,334	0.11	14 January 2021	2.55
22 February 2017	6,000,000	0.20	21 February 2022	3.65
	41,633,334			

The fair value of granted options was estimated using a Black Scholes model with the following inputs:

11. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the methods outlined below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash on deposit, restricted cash, accounts receivable, accounts payable and accrued expenses

As at 30 June 2018 and 31 December 2017, the fair value of cash and cash on deposit, restricted cash, accounts receivable, accounts payable and accrued expenses approximated their carrying value due to their short term to maturity.

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017****12. Financial Instruments and risk management**

The following tables provide fair value measurement information for financial assets and liabilities as at 30 June 2018 and 31 December 2017. The carrying value of cash and cash on deposit, restricted cash, accounts receivable, and accounts payable and accrued expenses included in the consolidated statement of financial position approximate fair value due to the short term nature of those instruments.

	30 June 2018		31 December 2017	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial assets:				
Cash and cash on deposit including restricted cash	10,052	10,052	11,407	11,407
Accounts receivable	210	210	194	194
Financial Liabilities:				
<i>Other financial liabilities</i>				
Accounts payable and accrued expenses	633	633	825	825

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Fair Value Measurements

- Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements

- Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 Fair Value Measurements

- Level 3 fair value measurements are based on unobservable information. No financial assets or liabilities have been valued using the Level 3 fair value measurements.

	Carrying amount \$'000	Fair value \$'000
30 June 2018		
Financial liabilities:		
Warrant	1,336	1,336
31 December 2017		
Financial liabilities:		
Warrant	1,563	1,563

The instrument in the table above is a Level 2 instrument.

Falcon Oil & Gas Ltd.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017**

13. Derivative liabilities

Derivative liabilities consist of the fair value of a warrant. Changes in the fair value of the derivative liabilities are recorded in the Consolidated Statement of Operations and Comprehensive Loss. The composition of the derivative liabilities as at 30 June 2018 and 31 December 2017, and the changes therein for the period then ended, are as follows:

	Warrant \$'000
At 1 January 2017	227
Derivative losses – unrealised – outstanding warrant	1,336
At 31 December 2017 - current	1,563
Derivative gain – unrealised – outstanding warrant	(227)
At 30 June 2018 - current	1,336

The terms of the warrant are as follows:

Warrant issue	Date of issue	Number of common shares issuable under warrant	Exercise Price CDN\$	Proceeds from warrant* CDN\$'000	Expiry date
Warrant	13 July 2011	10,000,000	0.19	1,900	13 January 2020
Total		10,000,000		1,900	

*Proceeds from warrant are subject to the warrant holder exercising their warrant.

The fair value of the warrant was estimated using a Black Scholes Model with the following inputs:

	Warrant 30 June 2018	Warrant 31 December 2017
Number	10,000,000	10,000,000
Expiry	13 January 2020	13 January 2020
Exercise price	CDN\$0.19	CDN\$0.19
Volatility	84.462%	92.139%
Expected warrant life	1.54 years	2.04 years
Dividends	Nil	Nil
Risk-free rate	1.90%	1.67%

On 3 October 2017, Falcon announced the transfer of the warrant to acquire 10,000,000 common shares in the capital of Falcon by Hess Oil and Gas Holdings Inc. to Nicolas Mathys. The terms of the warrant remain unchanged, with an exercise price of CDN\$0.19 per share and an expiry date of 13 January 2020.

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017****14. Decommissioning provision**

A reconciliation of the decommissioning provision for the period ended 30 June 2018 and the year ended 31 December 2017 is provided below:

	2018	2017
	\$'000	\$'000
Balance as at beginning of period	9,886	9,690
Revision to provisions	(1)	3
Accretion	110	193
Non – current; Balance at end of period	9,995	9,886

The Group's decommissioning provision results from its ownership interest in oil and natural gas assets. The total decommissioning provision is estimated based on the Group's net ownership interest in the wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Group's has estimated the net present value of the decommissioning provision to be \$9.8 million as at 30 June 2018 (2017: \$9.8 million) based on an undiscounted total future liability of \$12.2 million (2017: \$12.2 million). These payments are expected to be made over approximately the next 9 years. The discount factor, being the risk free rate related to the liability, was 2.25% as at 30 June 2018 (2017: 2.25%).

15. Accounts payable and accrued expenses

	30 June	31 December
	2018	2017
	\$'000	\$'000
Current		
Accounts payable	137	136
Accrued expenses	479	673
Royalties payable	17	16
	633	825

16. Note supporting statement of cash flows

	Notes	Share Capital	Derivative liability
		\$'000	\$'000
At 1 January 2017		382,853	227
Cash flows - options exercised	10	539	-
Non-cash flows – fair value losses unrealised	13	-	1,854
At 30 June 2017		383,392	2,081
At 1 January 2018		383,570	1,563
Cash flows - options exercised	10	57	-
Non-cash flows – fair value gain unrealised	13	-	(227)
At 30 June 2018		383,627	1,336

Falcon Oil & Gas Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the Three and Six Months Ended 30 June 2018 and 2017

17. Related party transactions

The following are the related party transactions which occurred during the period:

Senzus Kft

On 1 January 2013, Senzus Kft. agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. The agreement was terminated on 28 April 2015. A separate agreement was entered into on 28 April 2015, which expired on 31 March 2016. The contract was renewed with an effective date of 1 April 2016 and was subsequently terminated on 28 February 2017. Senzus Kft. was paid no consultancy fee for the period ended 30 June 2018 (2017: \$17,000).

Senzus Plus Tanácsadó Bt.

On 1 March 2017, Senzus Plus Tanácsadó Bt. agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. The contract was subsequently terminated with effect on 28 February 2018. It was paid a consultancy fee of \$9,700 for the period ended 30 June 2018 (2017: \$11,500).

Geoportal Plus Tanácsadó Bt.

On 1 March 2018, *Geoportal Plus Tanácsadó Bt.* agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. It was paid a consultancy fee of \$12,524 for the period ended 30 June 2018 (2017: \$0).

Oakridge Financial Management Inc.

The Group has engaged Oakridge Financial Management Inc. to assist in submitting returns to the Canadian Revenue Agency. Mr. Greg Smith, a current director of Falcon, is the sole shareholder in Oakridge Financial Management Inc. The Group has incurred costs of approximately CDN\$316 (2017: CDN\$485) to Oakridge Financial Management Inc. during the period ended 30 June 2018.

18. Commitments

Australia - Beetaloo Basin, Northern Territory, Australia

The Group is conducting a nine well drilling programme with its joint venture partner, Origin Energy B2 Pty Ltd (“Origin”). The details are as follows:

- Origin to pay the full cost of the drilling of the next vertical well and the drilling and fracture stimulation of two horizontal wells, 90 day production tests and micro seismic with a capped expenditure of approximately A\$65 million, any cost overrun funded by each party in proportion to their working interest.
- Origin to pay the full cost of the final two horizontally fracture stimulated wells and 90 day production tests capped at A\$48 million, any cost overrun funded by each party in proportion to their working interest.

Originally the Group indicated that it expected the work on the first five wells to be completed in 2016, the next two horizontally fracture stimulated wells to be undertaken in 2017 and the final two horizontally fracture stimulated wells to be undertaken in 2018. The introduction of a moratorium on hydraulic fracturing in September 2016 has delayed the completion of the nine well programme.

On 17 April 2018, the Northern Territory government lifted the moratorium on hydraulic fracturing. Resumption of field work with Origin will start as soon as practical, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme.

South Africa - Karoo Basin, South Africa

On granting of an approved exploration right in South Africa, the Group will be required to make a payment to the South African government of approximately \$0.7 million.

Hungary - Makó Trough, Hungary

The Group is not committed to any independent technical operations in Hungary.

Falcon Oil & Gas Ltd.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2018 and 2017

19. Approval of Interim financial statements

These Interim Financial Statements were approved by the Audit Committee as delegated by the Board of Directors and authorised for issue on 22 August 2018.

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